

DEPARTMENT OF STATE REVENUE

LETTER OF FINDINGS NUMBER: 99-0108

Individual Income Tax

Calendar Year 1997

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ISSUE(S)

I. Adjusted Gross Income – Application of payment and refund

Authority: IC 6-3-1-3.5

Taxpayer protests liability no. 97-0445031.

STATEMENT OF FACTS

Taxpayer, in various letters and telephone conversations protested additional tax assessed on its 1997 IT-40 return.

For calendar year 1996, taxpayer inadvertently mailed \$300 in IRS funds to the department, which were processed. On July 14, 1998 the department refunded \$330.41 to close the year. In calendar year 1997, the taxpayer included in estimated payments, the \$300 that was refunded for 1996 and claims no monies are due from either side. Taxpayer states the department cashed the IRS funds without giving taxpayer credit. When the money was refunded in 1998, the department in effect gave the taxpayer credit as no further money was due. However, in 1997, the taxpayer still claimed the \$300 in estimated payments as if it had not received the refund. The liability for 1997 was issued because the taxpayer did not pay estimated taxes in 1997.

ISSUE

I. Adjusted Gross Income – Application of payment and refund

DISCUSSION

Taxpayer protests the assessment for 1997 taxes and states it does not owe the state.

Taxpayer states the department cashed the IRS check without given taxpayer credit. Information shows that the department refunded taxpayer \$330.41 on June 14, 1998. Taxpayer's daughter and POA state she never received the money and it was sent to the nursing home. The statement in itself states that the taxpayer received the overpayment. For calendar year 1997, however, taxpayer's return included a credit for the \$300 already shown on the 1996 return. The return was filed before the department refunded the 1996 overpayment. Each year stands on its own as filed.

The department cashed the IRS checks for the 1996 return and gave the taxpayer credit for the overpayment. In 1998 the department billed the taxpayer for the shortage in 1997 because the taxpayer included the \$300 IRS payment already shown on the 1996 return as a credit. Taxpayer was not aware in 1997 of the 1996 overpayment due to IRS checks being cashed. Not until the 1997 return was filed in April 1998 did the department notify the taxpayer that there was a problem. The taxpayer included the estimated payments as estimated tax on its 1997 return. The department did not refund the 1996 overpayment until July 1998 and then billed the taxpayer for the shortage in 1997 with penalty and interest.

To clarify the matter with the taxpayer, below is listed the tax due, credits, and refunds. The department waived the underpayment penalty for calendar year 1996.

	<u>1996</u>	<u>1997</u>
Estimated Tax Paid	\$ 650.00	\$ -0-
Paid with Return	314.00	510.00
Tax due	(521.00)	(745.00)
Applied to following year estimated	(<u>131.00</u>)	(<u>131.00</u>)
Overpayment (Underpayment)	\$ 312.00	(234.00)
Interest	18.41	(20.41)
Penalty	<u>-0-</u>	(<u>23.40</u>)
Refund (Balance due)	\$ 330.41	(\$278.91)

\$330.41 was refunded on July 14, 1998 for calendar year 1996 for the \$300 meant for the IRS plus interest. The taxpayer has an estimated tax payment in the amount of \$131.00 for calendar year 1998.

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The \$187.00 estimated tax, as a first installment payment for 1998 is invalid because tax was due for 1997. Interest for 1997 is calculated through July 12, 1999.

FINDING

Taxpayer's protest is denied.

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